

# **SMALL BUSINESS LOAN FUND CORPORATION**

## **MINUTES OF THE BOARD OF DIRECTORS**

**May 2, 2013**

### **PUBLIC SESSION**

A monthly meeting of the Board of Directors (the "Board") of the Small Business Loan Fund Corporation (the "Corporation") was held in public session at the offices of the Rhode Island Economic Development Corporation, 315 Iron Horse Way, Suite 101, Providence, Rhode Island on Thursday, May 2, 2013, scheduled for 9:00 a.m., pursuant to notice of the meeting to all Directors, and public notice of the meeting as required by the By-Laws of the Corporation and by Rhode Island General Law 42-46-6.

The following Directors were present and participated throughout the meeting: Mr. Raymond Fogarty, Mr. John Pagliarini, Ms. Yahaira Placencia, Mr. Jose Monteiro and Mr. Richard DeMerchant.

The following Director(s) were absent: None

Also present were: Sean Esten, Corporation Administrator, Daniel Price, Corporation Administrator, Armeather Gibbs, RIEDC Staff, Stacy Farrell, Corporation Secretary, Denise Barge, Corporation Staff, Tom Moses, Esq., Moses Afonso Ryan, Ltd.

Mr. Fogarty presided over the meeting.

#### **1. Call to Order.**

Mr. Fogarty called the meeting to order at 9:05 a.m.

#### **2. Approval of the Minutes of the Meeting held on March 28, 2013**

The first item to come before the Board was approval of the Minutes of the Board meeting held on March 28, 2013. Upon motion duly made by Ms. Placencia and seconded by Mr. Pagliarini, the motion to approve the Public and Executive Session Minutes of the above noted meeting as presented was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Pagliarini, Mr. DeMerchant, Ms. Placencia and Mr. Monteiro.

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: None

**3. Maintain the Executive Minutes of the March 28, 2013 meeting as Confidential**

The next item to come before the Board was a vote to maintain the confidentiality of the Executive Session Minutes of the Board meeting held on March 28, 2013. Upon motion duly made by Ms. Placencia and seconded by Mr. DeMerchant, the motion to maintain the confidentiality of the Executive Session Minutes of the above noted meeting as presented was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Pagliarini, Mr. DeMerchant, Ms. Placencia and Mr. Monteiro.

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: None

**4. Report of Cash Position as of March 31, 2013.**

Staff asked if there were any questions or comments regarding the Cash Report for the period ended March 31, 2013 (Exhibit A). There was some discussion regarding the level of excess cash available to lend. Staff advised the Board that approximately \$2.5 million would be sequestered by the US Economic Development Administration as the fund was out of compliance with its most recent report regarding the level of funds available to lend. There was some discussion regarding marketing efforts for the program and suggested that a special meeting be held in the near future to discuss ways to market the program.

**5. Delinquency Loan Report as of April 26, 2013**

Mr. Esten asked if there were any questions regarding the Loan Delinquency report dated April 26, 2013 (Exhibit B). There being none, Mr. Esten noted that further discussion would take place in Executive Session regarding any legal action to be taken against delinquent Borrowers.

**6. Acceptance of Counsel Engagement by the Corporation**

An engagement letter was presented to the Board by the office of Moses Afonso Ryan, Ltd which had been serving as counsel to the Corporation for many years (Exhibit C). Mr. Pagliarini asked that the Board table this discussion for a later Board meeting. He indicated the Rhode Island Economic Development Corporation ("RIEDC") was in the midst of bringing on a new Executive Director. He felt it would be best for the Board to wait until a new director was brought in before making any decisions regarding long term engagements of the SBLFC. Mr. Esten asked that the Board advise staff as to how to proceed with current legal bills from the firm. He indicated that the current Secretary of the RIEDC would not sign checks to pay invoices from Moses Afonso Ryan, Ltd since SBLFC did not have an engagement letter for their services. Mr. Esten also noted the per hour

charge had increased in 2012 and the Secretary felt the Board should have voted on this increase. At the time the Managing Director of Financial Services had accepted the increase as was customary in the past. Since the Board had not voted, the bills remained unpaid. Mr. Esten asked that the Board consider approving the increase in rate from \$200/hr. to \$250/hr. so that any outstanding invoices could be paid until such time that the Board could consider a formal engagement of the law firm. Mr. Fogarty asked for a motion by Board members. Upon motion duly made by Ms. Placencia and seconded by Mr. Monteiro, a motion to approve the per hour increase from \$200 per hour to \$250 per hour was duly adopted, retroactive to 2012 when the Managing Director of Financial Services internally approved this increase. The motion included the approval to pay any invoices which were outstanding with the law firm of Moses Afonso Ryan, Ltd at this increased rate.

The following Directors voted in favor of the foregoing: Mr. DeMerchant, Ms. Placencia and Mr. Monteiro.

The following Directors voted against the foregoing: None

The following Directors abstained from the vote: Mr. Pagliarini

## **7. Recommended Charge Offs**

Mr. Esten noted that the charge off Memo before the Board (Exhibit D) had an additional substantiation Memo which would be addressed in Executive Session. He asked that the Board approve the charge offs as recommended. Upon motion duly made by Mr. Monteiro and seconded by Ms. Placencia, the motion to approve the recommended charge offs as presented was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Pagliarini, Mr. DeMerchant, Ms. Placencia and Mr. Monteiro.

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: None

## **Executive Session**

Mr. Fogarty suggested that the Board move into executive session. Upon motion duly made by Ms. Placencia and seconded by Mr. DeMerchant, the motion to move the meeting into executive session pursuant to Rhode Island Open Meetings Law 42-46-5(a)(6) of the General Laws of the State of Rhode Island, as amended, was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Pagliarini, Mr. DeMerchant, Ms. Placencia and Mr. Monteiro.

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: None

Public Session concluded and Executive Session began at 9:30 a.m.

**8. Executive Session Vote Ratification**

Mr. Fogarty called for ratification of the votes adopted during Executive Session. Upon motion duly made by Ms. Placencia and seconded by Mr. Pagliarini, the following votes were ratified:

- (a) To approve a \$40,000 loan to The Salad Man & Juice Bar

The following Directors voted in favor of the foregoing: Mr. Pagliarini, Ms. Placencia and Mr. Monteiro.

The following Directors voted against the foregoing: Mr. DeMerchant,  
The following Directors were absent for the vote: None

- (b) To decline the request from Destination Chocolate to recapitalize the current outstanding loan. The Board approved a modification to the current loan as outlined in executive session.

The following Directors voted in favor of the foregoing: Mr. Pagliarini, Mr. DeMerchant, Ms. Placencia and Mr. Monteiro.

The following Directors voted against the foregoing: None  
The following Directors were absent for the vote: None

**9. Other Business**

There was some discussion regarding a reorganization of the Board. Mr. Fogarty indicated that he no longer wished to chair the board but would like to remain as a member. There was some discussion regarding possibly adding members to the board and the process required to achieve this. Staff noted that they would review the By-laws of the Corporation and report to the Board at the next meeting.

Mr. Esten also indicated that the audit regarding SBLFC programs including the State Small Business Credit Initiative ("SSBCI") was nearly complete. He noted that a special meeting of the board should be held to discuss the report. Board members asked that they be provided a copy of the findings in advance of the meeting so that they could review. Mr. Esten indicated he would provide the report to the members as soon as it was available.

**10. Adjournment**

There being no further business to come before the Board, Mr. Fogarty called for a vote to adjourn the meeting. Upon motion duly made by Mr. Pagliarini and seconded by Mr. DeMerchant, the motion to adjourn the meeting was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Pagliarini, Mr. DeMerchant, Ms. Placencia and Mr. Monteiro.

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: None

The meeting was adjourned at 10:22 a.m.

Respectfully submitted,

/s/ Stacy Farrell  
Stacy Farrell, Secretary